



**RECRUIT HOLDINGS LIMITED**

**才庫媒體集團有限公司\***

*(continued in Bermuda with limited liability)*

(Stock code: 8073)

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2005**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE  
STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)**

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*This announcement, for which the directors of Recruit Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## AUDITED RESULTS

The board of directors (the “Board”) of Recruit Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December 2005, together with the comparative figures for the year ended 31st December 2004 as follows:

### Consolidated Income Statement For the year ended 31st December 2005

	Notes	2005 HK\$'000	(Restated) 2004 HK\$'000
<b>Revenue and turnover</b>	3	<b>227,103</b>	103,995
Direct operating costs		<b>(136,496)</b>	(48,598)
<b>Gross profit</b>		<b>90,607</b>	55,397
Other operating income		<b>11,633</b>	4,418
Selling and distribution costs		<b>(34,943)</b>	(14,067)
Administrative expenses		<b>(27,732)</b>	(11,444)
Other operating expenses		<b>(698)</b>	(290)
<b>Operating profits</b>		<b>38,867</b>	34,014
Finance costs	5	<b>(539)</b>	-
<b>Profit before income tax</b>	6	<b>38,328</b>	34,014
Income tax expense	7	<b>(1,060)</b>	(28)
<b>Profit for the year</b>		<b>37,268</b>	33,986
<b>Attributable to :</b>			
Equity holders of the Company		<b>37,094</b>	33,986
Minority interests		<b>174</b>	-
<b>Profit for the year</b>		<b>37,268</b>	33,986
<b>Dividends</b>	8	<b>10,969</b>	-
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>	9		
Basic		<b>HK13.57 cents</b>	HK14.54 cents
Diluted		<b>HK13.46 cents</b>	HK14.47 cents

**Consolidated Balance Sheet**  
**As at 31st December 2005**

	Notes	2005 HK\$'000	(Restated) 2004 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	41,971	3,407
Investment properties	11	39,800	36,660
Interests in associates		-	7,351
Deposit paid for acquisition of property, plant and equipment		-	2,001
		<b>81,771</b>	49,419
<b>Current assets</b>			
Inventories	12	8,599	-
Trade and other receivables and deposits	13	77,746	21,472
Financial assets at fair value through profit or loss	14	162	-
Advances to associates		5,365	-
Cash and cash equivalents		44,934	36,245
		<b>136,806</b>	57,717
<b>Current liabilities</b>			
Trade and other payables	15	50,446	8,797
Finance lease liabilities	16	3,808	-
		<b>54,254</b>	8,797
<b>Net current assets</b>		<b>82,552</b>	48,920
<b>Total assets less current liabilities</b>		<b>164,323</b>	98,339
<b>Non-current liabilities</b>			
Finance lease liabilities	16	16,586	-
Loans from minority shareholders		9,476	-
Deferred tax liabilities		1,060	-
		<b>27,122</b>	-
<b>Net assets</b>		<b>137,201</b>	98,339
<b>EQUITY</b>			
<b>Equity attributable to Company's equity holders</b>			
Share capital		54,844	54,500
Reserves		71,209	43,839
Proposed final dividend		10,969	-
		<b>137,022</b>	98,339
<b>Minority interests</b>		<b>179</b>	-
<b>Total equity</b>		<b>137,201</b>	98,339

**Consolidated Statement of Changes in Equity  
For the year ended 31st December 2005**

	Equity attributable to equity holders of the Company								Minority interests	Total
	Share capital	Share premium	Employee compensation reserve	Exchange reserve	Merger reserve	Contributed surplus	Goodwill reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004	27,250	49,724	-	5	(43,897)	45,000	13,440	(59,047)	-	32,475
Profit for the year	-	-	-	-	-	-	-	33,986	-	33,986
<b>Total recognised income for the year</b>	-	-	-	-	-	-	-	<b>33,986</b>	-	<b>33,986</b>
Issue of rights shares	27,250	5,450	-	-	-	-	-	-	-	32,700
Share issue expenses	-	(1,204)	-	-	-	-	-	-	-	(1,204)
Effect of changes in accounting policies :										
- Initial adoption of HKFRS 2	-	-	382	-	-	-	-	-	-	382
<b>At 31 December 2004, as restated</b>	<b>54,500</b>	<b>53,970</b>	<b>382</b>	<b>5</b>	<b>(43,897)</b>	<b>45,000</b>	<b>13,440</b>	<b>(25,061)</b>	-	<b>98,339</b>

	Equity attributable to equity holders of the Company										Minority interests	Total
	Share capital	Share premium	Employee compensation reserve	Exchange reserve	Merger reserve	Contributed surplus	Goodwill reserve	Capital contribution	Proposed final dividend	(Accumulated losses)/ Retained earnings		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005												
As previously reported	54,500	53,970	-	5	(43,897)	45,000	13,440	-	-	(24,679)	-	98,339
Effect of changes in accounting policies :												
- Initial adoption of HKFRS 2	-	-	382	-	-	-	-	-	-	(382)	-	-
- Initial adoption of HKFRS 3	-	-	-	-	-	-	(13,440)	-	-	13,440	-	-
<b>At 1 January 2005, as restated</b>	<b>54,500</b>	<b>53,970</b>	<b>382</b>	<b>5</b>	<b>(43,897)</b>	<b>45,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,621)</b>	<b>-</b>	<b>98,339</b>
Currency translation	-	-	-	60	-	-	-	-	-	-	5	65
Fair value change on loans from minority shareholders	-	-	-	-	-	-	-	521	-	-	-	521
Proposed final dividend	-	-	-	-	-	(10,969)	-	-	10,969	-	-	-
<b>Net results recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>-</b>	<b>(10,969)</b>	<b>-</b>	<b>521</b>	<b>10,969</b>	<b>-</b>	<b>5</b>	<b>586</b>
Profit for the year	-	-	-	-	-	-	-	-	-	37,094	174	37,268
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>-</b>	<b>(10,969)</b>	<b>-</b>	<b>521</b>	<b>10,969</b>	<b>37,094</b>	<b>179</b>	<b>37,854</b>
Shares issued at premium	344	116	-	-	-	-	-	-	-	-	-	460
Share issue expenses	-	(21)	-	-	-	-	-	-	-	-	-	(21)
Equity-settled share based payment expenses	-	-	569	-	-	-	-	-	-	-	-	569
<b>At 31 December 2005</b>	<b>54,844</b>	<b>54,065</b>	<b>951</b>	<b>65</b>	<b>(43,897)</b>	<b>34,031</b>	<b>-</b>	<b>521</b>	<b>10,969</b>	<b>25,473</b>	<b>179</b>	<b>137,201</b>

## 1. General information

The Company was incorporated in Cayman Islands as an exempted company in 2000 and redomiciled to Bermuda by way of de-registration in Cayman Islands and continuation as an exempted company under the laws of Bermuda, with limited liability in 2003. The address of the Company's registered office is 26/F, 625 King's Road, North Point, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as published by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

## 2. Adoption of new and revised HKFRS

From 1 January 2005, the Group has adopted the new and revised standards and interpretations of HKFRS, which are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separated Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments : Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended where necessary in accordance with HKAS 8. Due to the change in accounting policies, some of the 2004 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 December 2004.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above with respect to presentation, recognition and measurement of accounts are described in the following notes:

### 2.1 Adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to owners of the parent company is now presented as an allocation of the net result of the year.

## 2.2 Adoption of HKAS 39

On the adoption of HKAS 39, the Group classified its investments into fair value through profit or loss and measured its financial assets at fair value. Loans from minority shareholders are measured at amortised cost using the effective interest method.

## 2.3 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 January 2005, equity-settled share-based payment transactions were treated as changes in the entity's equity only upon execution. HKFRS 2 requires all goods and services received in the course of share-based payment transactions to be measured at fair value and recognised in the financial statements with a corresponding credit to equity, unless the transaction is settled in cash. When applied to employee share-based compensation, this leads to the recognition of share options which have been granted and are expected to vest as an expense in the income statement.

According to the transitional provisions of HKFRS 2, all equity-settled share-based payments granted after 7 November 2002 that had not vested at the first application of this standard are required to be recognised retrospectively in the Group's financial statements.

## 2.4 Adoption of HKFRS 3

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

The carrying amount of negative goodwill at the beginning of the first annual period beginning on or after 1 January 2005 that arose from a business combination for which the agreement date was before 1 January 2005 has been derecognised at the beginning of that period, with a corresponding adjustment to the opening balance of (accumulated losses)/retained earnings.

## 2.5 Other standards adopted

The adoption of HKAS 2, 7, 8, 10, 14, 16, 21, 24, 27, 28, 32, 33, 36 and 37 did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

## 3. Revenue and turnover

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Advertising income	<b>160,033</b>	103,615
Publication sales and recruiting and other service income	<b>537</b>	380
Printing income	<b>66,533</b>	-
	<hr/> <b>227,103</b>	<hr/> 103,995

#### 4. Segment Information

##### Primary reporting format - Business segments

The Group is organised on a worldwide basis into three main business segments:

Advertising income - providing advertising services on different publications and magazines.

Printing income – printing of books and magazines.

Investment income – trading of financial assets at fair value through profit or loss.

	Advertising		Printing		Investment income		Consolidated (Restated)	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Revenue								
- External sales	160,570	103,995	66,533	-	-	-	227,103	103,995
Segment results	29,422	30,492	(347)	-	257	-	29,332	30,492
Unallocated operating income							10,881	4,418
Unallocated operating expenses							(1,346)	(896)
Operating profit							38,867	34,014
Finance costs							(539)	-
Profit before income tax							38,328	34,014
Income tax expense							(1,060)	(28)
Profit for the year							37,268	33,986
Segment assets	74,998	51,619	97,022	-	162	-	172,182	51,619
Advances to associates							5,365	7,351
Unallocated assets							41,030	48,166
Total assets							218,577	107,136
Segment liabilities	21,128	8,781	58,601	-	-	-	79,729	8,781
Unallocated liabilities							1,647	16
Total liabilities							81,376	8,797
<b>Other information</b>								
Capital expenditure	5,797	2,370	37,880	-	-	-	43,677	2,370
Depreciation	3,303	1,360	1,643	-	-	-	4,946	1,360
Impairment of receivables	698	290	-	-	-	-	698	290



#### 4. Segment Information (Continued)

##### Secondary reporting format - Geographical segments

The Group's operations are located in six main geographical areas. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services.

Sales by geographical markets:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Hong Kong	<b>83,790</b>	74,111
Mainland China	<b>77,246</b>	29,884
Australia	<b>52,494</b>	-
United States	<b>6,485</b>	-
United Kingdom	<b>5,064</b>	-
New Zealand	<b>2,024</b>	-
	<b>227,103</b>	103,995

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located.

	<b>Segment assets</b>		<b>Capital expenditures</b>	
	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Hong Kong	<b>119,732</b>	51,619	<b>1,909</b>	2,370
Mainland China	<b>52,450</b>	-	<b>41,768</b>	-
	<b>172,182</b>	51,619	<b>43,677</b>	2,370

The management has reconsidered the lines of business of the Group and restated last year's segment information to conform with the current year's presentation.

#### 5. Finance costs

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Finance lease charges	<b>539</b>	-

## 6. Profit before income tax

	2005 HK\$'000	2004 HK\$'000
Profit before income tax is arrived at after charging :		
Auditors' remuneration	549	250
Cost of inventories recognised as expense	23,153	-
Depreciation (Note) :		
Owned assets	4,350	1,360
Leased assets	596	-
Exchange loss, net	734	25
Loss on disposal and write off of property, plant and equipment	226	1
Minimum lease payments paid under operating leases in respect of:		
Rented premises	2,522	1,211
Internet access line	84	91
Impairment of receivables	698	290
Staff costs (2004: restated)	33,016	15,994
at after crediting :		
Dividend income from equity investments	(18)	-
Gain from changes in fair value of investment properties (Note 11)	(3,140)	(1,945)
Gain on partial disposal of investments in subsidiaries	(6,000)	-
Interest income	(405)	(222)
Operating lease rental income from:		
Subleasing of office premises	-	(90)
Investment properties (Note 11)	(1,334)	(88)
Realised and unrealised gains on financial assets at fair value through profit or loss, included in other operating income	(239)	-

Note: Depreciation expenses of HK\$3,523,000 (2004: HK\$963,000) and HK\$1,423,000 (2004: HK\$397,000) have been included in direct operating costs and administrative expenses respectively.

## 7. Income tax expense

No Hong Kong profits tax has been provided as the Group had losses brought forward from previous years. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
Underprovision in prior years	-	28
Deferred taxation		
Current year	1,060	-

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	<b>1,060</b>	<b>28</b>
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## 8. Dividends

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Proposed final dividend of HK\$0.04 per share (2004: Nil)	<b>10,969</b>	-

The final dividend proposed after the balance sheet date of HK\$0.04 per share, totalling HK\$10,969,000 (2004 : Nil), has not been recognised as a liability at the balance sheet date.

## 9. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>Group</b>	
	<b>2005</b>	(Restated) 2004
	<b>HK\$'000</b>	HK\$'000
<b>Profit attributable to equity holders of the Company</b>	<b>37,094</b>	33,986
	<b>Number of shares '000</b>	Number of shares '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>273,431</b>	233,784
Effect of dilutive potential ordinary shares in respect of share options granted	<b>2,076</b>	1,142
<b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b>	<b>275,507</b>	234,926

## 10. Property, plant and equipment

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Computer equipment and systems HK\$'000	Motor vehicles HK\$'000	Machinery HK\$'000	Total HK\$'000
<b>Group</b>							
At 1 January 2004							
Cost	665	1,132	256	24,106	369	-	26,528
Accumulated depreciation	(652)	(1,067)	(81)	(21,962)	(258)	-	(24,020)
<b>Net book amount</b>	<b>13</b>	<b>65</b>	<b>175</b>	<b>2,144</b>	<b>111</b>	<b>-</b>	<b>2,508</b>
Year ended 31 December 2004							
Opening net book amount	13	65	175	2,144	111	-	2,508
Additions	-	-	-	2,370	-	-	2,370
Disposals	-	-	-	(2)	(109)	-	(111)
Depreciation	(7)	(39)	(85)	(1,227)	(2)	-	(1,360)
<b>Closing net book amount</b>	<b>6</b>	<b>26</b>	<b>90</b>	<b>3,285</b>	<b>-</b>	<b>-</b>	<b>3,407</b>
At 31 December 2004							
Cost	665	1,132	256	26,472	233	-	28,758
Accumulated depreciation	(659)	(1,106)	(166)	(23,187)	(233)	-	(25,351)
<b>Net book amount</b>	<b>6</b>	<b>26</b>	<b>90</b>	<b>3,285</b>	<b>-</b>	<b>-</b>	<b>3,407</b>
Year ended 31 December 2005							
Opening net book amount	6	26	90	3,285	-	-	3,407
Exchange differences	7	2	5	45	-	-	59
Additions	1,201	459	11,374	5,569	856	24,218	43,677
Disposals	-	-	-	(226)	-	-	(226)
Depreciation	(129)	(60)	(1,244)	(2,832)	(82)	(599)	(4,946)
<b>Closing net book amount</b>	<b>1,085</b>	<b>427</b>	<b>10,225</b>	<b>5,841</b>	<b>774</b>	<b>23,619</b>	<b>41,971</b>
At 31 December 2005							
Cost	1,874	1,594	11,637	31,869	1,089	24,218	72,281
Accumulated depreciation	(789)	(1,167)	(1,412)	(26,028)	(315)	(599)	(30,310)
<b>Net book amount</b>	<b>1,085</b>	<b>427</b>	<b>10,225</b>	<b>5,841</b>	<b>774</b>	<b>23,619</b>	<b>41,971</b>

The cost of property, plant and equipment includes an amount of HK\$23,834,000 (2004: Nil) in respect of assets held under finance leases (2004: Nil) and the related accumulated depreciation amounts to HK\$596,000 (2004: Nil).

## 11. Investment properties

The investment properties are situated in Hong Kong and held under medium-term operating leases.

Changes to the carrying amounts presented in the balance sheet can be summarised as follows:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Carrying amount at 1 January	<b>36,660</b>	-
Additions	-	34,715
Net gain from fair value adjustments (Note 6)	<b>3,140</b>	1,945
<b>Carrying amount at 31 December</b>	<b>39,800</b>	36,660

Investment properties were revalued at 31 December 2005 by an independent firm of professionally qualified valuers, Dynasty Premium Asset Valuation and Real Estate Consultancy Limited. Valuations were based on current prices in an active market for the properties.

Details of rental income are set out in note 6 to the financial statements.

## 12. Inventories

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>6,972</b>	-
Work-in-progress	<b>1,432</b>	-
Finished goods	<b>195</b>	-
	<b>8,599</b>	-

### 13. Trade and other receivables and deposits

The Group allows a credit period from 7 days to 120 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
0 - 30 days	<b>13,355</b>	6,153
31 - 60 days	<b>12,310</b>	5,191
61 - 90 days	<b>11,982</b>	2,436
91 - 120 days	<b>16,969</b>	2,689
121 - 150 days	<b>6,647</b>	1,062
Over 150 days	<b>2,249</b>	250
Total trade receivables	<b>63,512</b>	17,781
Other receivables and deposits	<b>14,234</b>	3,691
	<b>77,746</b>	21,472

### 14. Financial assets at fair value through profit or loss

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Equity securities, listed in Hong Kong	<b>162</b>	-
Market value of listed securities	<b>162</b>	-

The carrying amounts of the above financial assets are classified as held for trading.

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

## 15. Trade and other payables

The following is an aged analysis of trade payables at the balance sheet date:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>6,044</b>	172
31 – 60 days	<b>7,552</b>	-
61 – 90 days	<b>9,292</b>	-
91 – 120 days	<b>4,361</b>	-
Over 120 days	<b>5,818</b>	-
<hr/>		
Total trade payables	<b>33,067</b>	172
Other payables and accrued expenses	<b>17,379</b>	8,625
<hr/>		
	<b>50,446</b>	8,797
<hr/>		

## 16. Finance lease liabilities

The analysis of the obligations under finance leases is as follows:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Due within one year	<b>5,168</b>	-
Due in the second to fifth years	<b>18,954</b>	-
<hr/>		
	<b>24,122</b>	-
Future finance charges on finance lease	<b>(3,728)</b>	-
<hr/>		
<b>Present value of finance lease liabilities</b>	<b>20,394</b>	-
<hr/>		

The present value of finance lease liabilities is as follows:

Due within one year	<b>3,808</b>	-
Due in the second to fifth years	<b>16,586</b>	-
<hr/>		
	<b>20,394</b>	-
Less: Portion due within one year included under current liabilities	<b>(3,808)</b>	-
<hr/>		
Non-current portion included under non-current liabilities	<b>16,586</b>	-
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## **CHAIRMAN'S STATEMENT**

The Group had a satisfactory year in 2005 when our flagship job recruitment magazine, Recruit, continued to consolidate our leadership position in Hong Kong. Our website, recruit.hk, which underwent a complete revamp in late 2004 was rated as the No.1 recruitment website in Hong Kong in a survey conducted by Synovate, an independent market survey company in 2005. Management is confident that we are well positioned to benefit from the growth in job recruitment advertising in Hong Kong in 2006.

In our effort to reduce our dependence on the contributions from Hong Kong where the growth of job recruitment advertising is slowing, our company set up operations in Shanghai in early 2005 to develop the China market. Initially, we have found the market conditions more difficult than we forecast. In mid 2005, we redesigned our website in China to adapt to local taste and commissioned an international advertising agency to establish our brand. The results, to-date, despite significant start-up costs, have been encouraging, as underscored by the increasing number of readers visiting our website, 1010job.com and positive feedback from corporate users and jobseekers in the city of Shanghai. We aim to expand our service to cover the rest of the country in the near future.

Our inflight magazine advertising business enjoyed healthy growth. In July 2005, we succeeded in signing a multi-year contract with China Southern Airlines, which awarded us the right to represent them as their exclusive advertising sales agent for their inflight magazines. We anticipate steady growth from this business unit in the foreseeable future.

The newly established printing division, 1010 Printing International, which provided high quality printing services to overseas publishers had its full year of operation and turned in a small loss, mainly due to an unexpected delay in the shipment of machinery to our plant in China. The facilities are now fully operational and we are confident that the printing division will be profitable in 2006.

Despite the uncertainty over the changes in regulations which will seriously affect the placement of corporate announcement advertisements by companies listed on the Hong Kong Stock Exchange, SAR Media, our wholly owned subsidiary which holds the exclusive right from China Daily (Hong Kong Edition) had a good year and made solid contributions to the Group's profit.

Overall, Management is optimistic of the prospects from our existing business. Further efforts and investments are needed to turnaround our recruitment advertising business in China. Shareholders will be informed of our progress.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Group's profit attributable to shareholders was HK\$37.1 million, a 9% increase over last year. Turnover for the year was HK\$227 million, a 118% increase over last year. The significant sales growth was mainly due to sales of HK\$66.5 million generated from printing business and revenue of HK\$39.4 million generated from sale of advertising space in China Southern Airlines inflight magazine, both of which were new income streams for the Group in 2005. The net profit for the year comprised a gain of HK\$3.1 million arising from the revaluation of the Group's investment property and an adjusted gain of HK\$6 million from the sale of 5% of the Group's interest in recruitment advertising business during the year.

The Group's turnover for the three months ended 31st December 2005 was HK\$71.3 million, a 129% increase over last year. The sales growth in the fourth quarter was also driven by inflight magazine advertising income and sales from printing business. The Group's profit attributable to shareholders for the fourth quarter ended 31st December 2005 was HK\$11 million, a 20% decline from last year. The decline in profit was mainly due to a trading loss incurred by the Group's newly established recruitment advertising business in Shanghai.



## **BUSINESS REVIEW**

The advertising business of the Group enjoyed continued and steady growth during 2005. Compared to that of 2004, the advertising sales business recorded a 54 % increase in revenue.

The flagship “Recruit” magazine/website has consolidated its position as a market leader in Hong Kong in terms of ads pages and number of jobs posted in the magazine whilst online sales are also picking up. The Hong Kong recruitment advertising market has benefited from the continued improvement of the Hong Kong economy during the year.

The Group has also developed its inflight magazine advertising business into a significant contributor to the profits. Riding on the rapid economic growth in China, the business has continued to expand in both the number of advertisements and client base. Serving the top two airlines in China, China Eastern Airlines and China Southern Airlines, the Group has become a major player in China’s inflight magazine advertising industry. Already the Group has benefited from the sharing of resources between our traditional recruitment advertising business and the inflight magazine business.

The corporate announcement business, although overshadowed by the pending change of the announcement regulations set out by the Hong Kong Stock Exchange, has achieved better-than-expected results.

The newly established recruitment advertising business, 1010job in Shanghai has impacted negatively on the Group’s operating results in 2005. However, it is encouraging to note that 1010job website registered solid growth in unique visitors and page views in the second half of 2005 and now enjoys a favorable level of recall among local jobseekers and enterprise clients.

Another newly set up business, 1010 Printing International, also completed its first year of operation. Although it recorded a small trading loss, it has already shown promising prospects and the Group is confident that 1010 Printing International will turn profitable in 2006. The establishment of 1010 Printing International is expected to have positive impacts on both the short-term profitability and the long-term diversification and growth of the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st December 2005, the Group had bank and cash balances of HK\$44.9 million as compared to HK\$36.2 million as at 31st December 2004. The Group had finance lease liabilities of HK\$20.4 million and loans from minority shareholders of HK\$9.5 million.

The finance lease banking facilities are obtained for financing the acquisition of printing machinery and equipments for our production line in China. The finance leases are at floating interest rates. Loans from minority shareholders loan are interest-free and used as working capital for 1010 Printing International, a non wholly-owned subsidiary of the Company. All the borrowings are denominated in Hong Kong dollars.

The Group’s gearing ratio as at 31st December 2005 was 14.9% (2004: Nil), which is calculated on the basis of the Group’s total interest bearing debts over the total equity interest as at the reporting date.

In view of the Group’s ability to generate cash from its operations, together with HK\$44.9 million bank and cash balances, the Group has sufficient financial resources and would invest its surplus cash prudently in listed securities for the coming year.

The Group’s trading transactions were mainly denominated in HK dollars, US dollars, Australian dollars and Renminbi. The Group would use forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate. The Group adopts a centralised treasury policies in cash and financial management and would review its liquidity and financing requirements regularly.

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 31st December 2005, the Group had around 165 employees (2004: 60). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover. Options to subscribe for an aggregate of 3,557,000 shares of the Company pursuant to the Company's share option scheme were outstanding as at 31st December 2005.

## **PROSPECTS**

### ***Advertising Sales***

The Hong Kong recruitment advertising market is mature with declining profit margins and intense competition. The Group expects to maintain its leading position in the print market by delivering innovative ideas and first class customer service to enterprise clients. Meanwhile, the Group will place a strong emphasis upon technological development to keep pace with and, eventually, lead the online recruitment trend.

To take advantage of the growing demand for recruitment advertisements in China from multinational companies and privately-owned enterprises, the Group commenced operations under the name of 1010job in Shanghai in early 2005. The Group will continue to invest in 1010job and plans to roll out the currently Shanghai-based operation to the entire nation in 2006. Management expects that the investment in 1010job in China will result in further losses in 2006, though the scale will be less than that in 2005.

The inflight magazine business will continue to enjoy its leading position in the industry and is expected to grow further along with the Chinese economic growth.

It is anticipated that the corporate announcement business will decline in 2006 following the changes of relevant regulations on the requirement for Main Board listed companies to publish corporate announcement in the newspapers.

### ***Printing Business***

With its experienced management team and state-of-the-art manufacturing facilities, 1010 Printing International is well positioned to attract business from overseas publishers. The Group is confident that the printing business will turnaround in 2006.

### ***Other Growth Opportunities***

Apart from maintaining and consolidating its existing businesses, the Group will continue to seek diversification in areas where we hold competitive edges. We shall also prudently invest our surplus cash in listed securities in Hong Kong.

## **FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has resolved to recommend the payment of a final dividend of HK\$0.04 per ordinary share for the year ended 31st December 2005 (2004: Nil) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 13th April 2006. The register of shareholders will be closed from 11th April 2006 to 13th April 2006, both days inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited whose share registration public offices are located at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 10th April 2006. The relevant dividend warrants will be dispatched to shareholders on or around 28th April 2006.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31st December 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CHANGE OF AUDITORS**

On 5th December 2005, the Company announced that Messrs. Deloitte Touche Tohmatsu ("DTT") had resigned as auditors of the Company with effect from 22nd November 2005. Following the resignation of DTT, the Board resolved to propose to the shareholders of the Company to appoint Messrs. Grant Thornton as the new auditors of the Company. Pursuant to an ordinary resolution passed at the special general meeting held on 30th December 2005, Messrs. Grant Thornton had been appointed as the auditors of the Company to fill the vacancy following the resignation of DTT and to hold the office until the conclusion of the next annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Grant Thornton as auditors of the Company.

## **CODE OF CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied with the code on corporate governance practices (the "Code") as set out in Appendix 15 of the rules governing the listing of securities on the GEM Listing Rules for the year subject to the deviations disclosed hereof.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lau Chuk Kin assumes the role of both the chairman and the chief executive officer of the Company. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

- the non-executive directors form the majority of the Board of which three out of seven are independent;
- the Audit Committee composes exclusively of independent non-executive directors; and
- the independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Lau, the executive chairman, is a substantial shareholder of the Group and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

## **AUDIT COMMITTEE**

The audit committee has three members comprising the three independent non-executive directors, namely, Mrs. Ling Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Tyen Kan Hee, Anthony with terms of reference in compliance with the GEM Listing Rules. The audit committee has reviewed the audited financial results of the Group for the year ended 31st December 2005.

On behalf of the Board  
Lau Chuk Kin  
Chairman

Hong Kong, 24th February 2006

*As at the date of this announcement, the Board comprises Lau Chuk Kin and Ho Suk Yi as executive Directors, Wan Siu Kau, Lee Ching Ming, Adrian, Peter Stavros Patapios Christofis and Lam Mei Lan as non-executive Directors and Ling Ching Man, Eleanor, Cheng Ping Kuen, Franco and Tyen Kan Hee, Anthony as independent non-executive Directors.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading; there are no other matters the omission of which would make any statement in this announcement misleading; and all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcement" page for at least seven days from the date of its posting.*

*\* For identification purpose only*